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RUEHUJA/AMEMBASSY ABUJA 1381
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RUEHBY/AMEMBASSY CANBERRA 0646
RUEHDK/AMEMBASSY DAKAR 1011
RUEHKM/AMEMBASSY KAMPALA 1439
RUEHNR/AMEMBASSY NAIROBI 3822
RUEHFR/AMEMBASSY PARIS 1208
RUEHRO/AMEMBASSY ROME 1861
RUEHBS/USEU BRUSSELS
RUEHG/USMISSION GENEVA 0597
RHEHAAA/NSC WASHDC
RUCNDT/USMISSION USUN NEW YORK 1602
RUEKJCS/JOINT STAFF WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEFDIA/DIA WASHDC//DHO-7//
RUCPDOC/DEPT OF COMMERCE WASHDC
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK//DOOC/ECMO/CC/DAO/DOB/DOI//
RUEPGBA/CDR USEUCOM INTEL VAIHINGEN GE//ECJ23-CH/ECJ5M//

C O N F I D E N T I A L SECTION 01 OF 02 HARARE 001377

SIPDIS

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AF/S FOR S. HILL
NSC FOR SENIOR AFRICA DIRECTOR B. PITTMAN
STATE PASS TO USAID FOR M. COPSON AND E. LOKEN
TREASURY FOR J. RALYEAE AND T. RAND
COMMERCE FOR BECKY ERKUL

E.O. 12958: DECL: 01/12/2016

TAGS: [EMIN](#) [ECON](#) [PGOV](#) [ZI](#)

SUBJECT: CHAMBER OF MINES PRESIDENT ON INDIGENIZATION, GOLD
MINING, GONO'S "WILD PROMISES" TO RUSSIANS

REF: A. HARARE 1361

[¶](#)B. HARARE 0300

Classified By: Ambassador Christopher Dell under Section 1.4 b/d

Summary

[¶](#)1. (C) In a November 2 meeting with emboffs, Chamber of Mines President David Murangari reported that the GOZ had given up its plans for a 51 percent takeover by indigenous companies of foreign-owned mines and was searching for a face-saving way to back down from earlier announcements. In the meantime, most mining companies had put their expansion plans on ice pending clarification of the indigenization policy. He added that RBZ Governor Gono's promises to overseas investors of exploitable resources and lucrative investment opportunities in the mining sector were wildly exaggerated.
End Summary.

GOZ Backing Off Indigenization but Damage Done

[¶](#)2. (C) In a November 2 meeting with emboffs, Chamber of Mines President David Murangari reported that the GOZ had backed down from the most contentious parts of its initial draft amendment to the Mines and Minerals Act that addressed indigenization (Ref B). The GOZ would not require foreign

mining companies to relinquish 51 percent of their shares to indigenous partners, as initially proposed. It had also dropped the proposed mandatory 25 percent uncompensated company contribution ("free carry"). Instead, local investors would have to pay for all their equity. And it had also dropped the differentiation, for indigenization purposes, between "strategic" and "non-strategic" minerals, and "big" and other sized gold and emerald mines.

¶3. (C) Murangari said, however, that to the continued displeasure of the Chamber the GOZ still intended to require government approval of a mining company's partners. The GOZ did not want to concede defeat on indigenization publicly and this was part of its effort to seek a face-saving way to back down. The Chamber President noted that most mining companies had already put their expansion plans on ice pending clarification of the indigenization policy. He said the government was courting disaster by continuing to "muck around" with an industry where investments were inherently high risk.

¶4. (C) In that regard, Murangari noted that the RBZ had reneged on commitments made in the July Monetary Policy Review Statement to allow gold producers to retain 70 percent of their output in foreign currency accounts (FCA). Furthermore, the GOZ had fallen into deep arrears to gold producers since the introduction, also on July 31, of a new payment framework. The crux of the problem, according to Murangari, was the RBZ's rigid foreign exchange policy and the consequent overvalued local currency, which continued to depress official sales of gold.

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Gono's "Wild Promises"

¶5. (C) Referring derisively to Gono's globetrotting search for foreign investment in Zimbabwe's mining sector, Murangari said Gono had made "wild promises" to the Russians, and others, about mineral resources in Zimbabwe and the availability of mining assets for acquisition. For example, he had greatly exaggerated the coal-bed methane potential in Lupane and the petroleum potential in the Zambezi valley, as well as the likelihood of investors partnering as minority stakeholders in the sector.

¶6. (C) Murangari said the Chamber had briefed a Russian delegation to Harare the week of October 2 on the much more limited extent of Zimbabwe's hydrocarbon resources and on investor attitudes toward minority shareholding in the sector. He said the delegation had left Harare "sobered."

Comment

¶7. (C) The policy volatility and uncertainty of the past nine months have raised the risk factor in Zimbabwe's mining sector above many foreign investors' threshold. Even if the GOZ finds a face-saving way to back down from its earlier expropriation plans, this key pillar of the Zimbabwean economy has taken a hit. At a time when the tax revenue potential from record high commodity prices has seldom been greater, the GOZ has succeeded in repelling rather than attracting foreign investment in the sector.

DELL